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FISCAL IMPACT STATEMENT

LS 6980

BILL NUMBER: HB 1245

NOTE PREPARED: Dec 22, 2004

BILL AMENDED:

SUBJECT: Coal Gasification Property Tax Deduction.

FIRST AUTHOR: Rep. Woodruff

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides a coal conversion system property tax deduction for five years beginning with the March 1, 2005, assessment date.

Effective Date: Upon passage.

Explanation of State Expenditures: The Department of Environmental Management (IDEM) must determine whether the system or device qualifies for the deduction before July 15, 2005. If IDEM fails to make a determination before July 15, 2005, the system or device is considered certified for assessment dates beginning March 1, 2005. This provision could result in additional administrative expenses for IDEM. It is presumed that IDEM could absorb any additional costs given its current budget and resources.

Explanation of State Revenues: This bill provides that for property taxes first due and payable in 2006, and through 2010, the owner of a coal conversion system which is used to process coal is entitled to a deduction from the assessed value (AV) of the system. The amount of the deduction equals the product of 95% of the AV of the system multiplied by a fraction, the numerator of which is the amount of Indiana coal converted by the system during the preceding year and the denominator of which is the total amount of coal converted by the system during the preceding year. (This type of deduction was previously available from December 31, 1979, through January 1, 1988.) A person may file for the deduction for the March 1, 2005, assessment date anytime after the effective date of the bill and before June 15, 2005.

Property tax deductions exclude property from the property tax base. The state levies a small tax rate for the State Fair and State Forestry that applies to all AV. If property is not a part of the tax base, the state can not

assess this tax on the property. Any decrease in the AV base reduces the property tax revenue collected for these two funds.

Explanation of Local Expenditures: The auditor of each county must apply the deduction to each person who qualifies. The auditor must apply the deduction to those who received it in the preceding year unless the auditor determines that the person is no longer eligible for the deduction. If the taxpayer remains eligible, the taxpayer does not have to file for the deduction every year. The taxpayer must, however, notify the county auditor when the property becomes ineligible for the deduction. The above provisions will increase administrative costs for the auditor. It is presumed that the auditor will be able to absorb any additional costs associated with these provisions.

Explanation of Local Revenues: Additional deductions reduce the AV tax base. This reduction causes a shift of the property tax burden from the taxpayers receiving the deductions to all taxpayers in the form of an increased tax rate. The amount of the deduction is indeterminable. Total local revenues would not be affected, except that the revenue in rate-controlled funds would be reduced.

State Agencies Affected: Department of Local Government Finance and the IDEM.

Local Agencies Affected: Taxing units with rate-controlled funds and county auditors.

Information Sources:

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